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SJ: Pricing of Unlocalized Macintosh for Japan
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Based on the competitive environment in Japan, a Macintosh cannot be priced much above US\$2,500, if it is to attain market success. With assumed uplift of 15%, 20% to the distributor and 33% to the dealer, \$2,500 end user price translates to about \$1360 Apple's price to Japan. The cost of Macintosh in Japan is \$1850: this means that Apple loses \$490 per Macintosh given current sales forecasts (5100 Macs) and local fixed costs of \$4.8 million.

I am prepared to be challenged on my assumptions for dealer and distributor margins, however, I believe the ballpark figures above are close enough to indicate a real exposure. We need to look closer at the forecast and breakeven schedule, and how prepared Apple is to take a hit to the bottom line and for how long.

Analysis for cost calculations are attached on the following page.

Japanese Mouse-Based Systems

The two most widely available mouse based systems in Japan currently are NEC (PC-100) and Sharp (5500).

Of these, the 8086 based NEC PC-100 is the best selling one. A configuration of the system with the following features: 256K of RAM, mouse, one drive, black and white display and software that includes, JS-WORD, Multiplan, N-BASIC (NEC's own BASIC), and MS-DOS, retails for US\$1635 (assuming \$1=¥280). The Sharp system in a similar configuration is priced just a bit lower. The software on these machines is not very well adapted to the mouse. There is no integration of software. (NEC will definitely put Microsoft Windows on the system in the future.) Macintosh is also a much faster machine than any of the above.

Thus Macintosh is really in a different league and should command a premium. However, we cannot justify more than 50% premium on the price to the customer in the light of Japanese customers' expectations on the hardware (more memory, a hard disk or a printer bundle).

It is worth noting that when we start pricing peripherals for the Japanese market, we will be faced with an even stiffer competitive situation.